

Innovation financière et Enjeux de régulation

Thomas Philippon

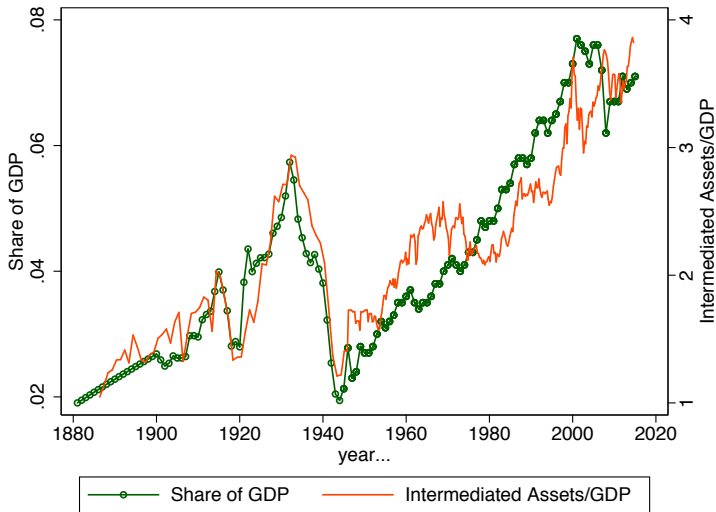
New York University, NBER, CEPR

Paris 2016

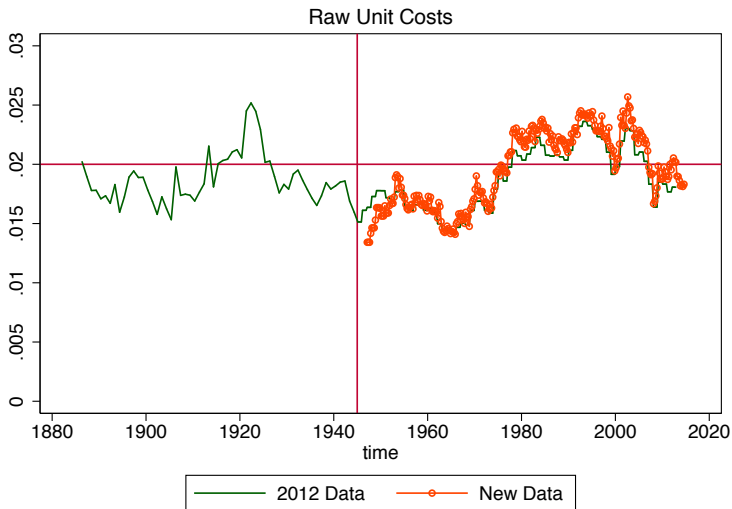
Point 1

Finance is expensive

Financial Intermediation (in the U.S.)



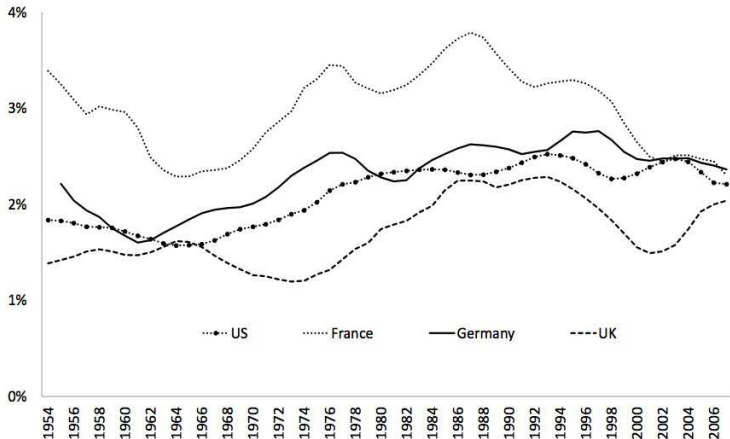
Unit Cost in the U.S.



This is why FinTech is happening!

Unit Costs, Europe

Figure 2.5.1: National unit cost (4-year moving average)



Note: US unit cost from Philippon (2012), level estimation. The US series does not use bank capital gains. Unit costs calculation details for Germany, France and the UK are provided in the preceding paragraphs of this section.

Source: Bazot (2013)

Why is Finance still Expensive?

- rents, lack of entry
- “innovations” that increase user cost
- misselling of financial products

Point 2

Finance is (still) risky

US Aggregate SRISK

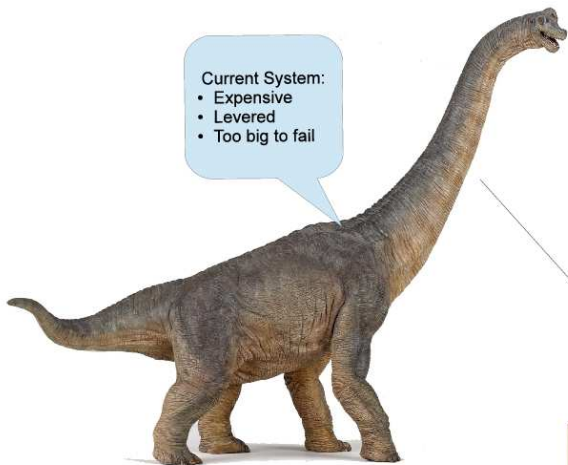


Source: Vlab, based on Acharya et al. (2009b).

Summary: Where We Are Now

Current System:

- Expensive
- Levered
- Too big to fail

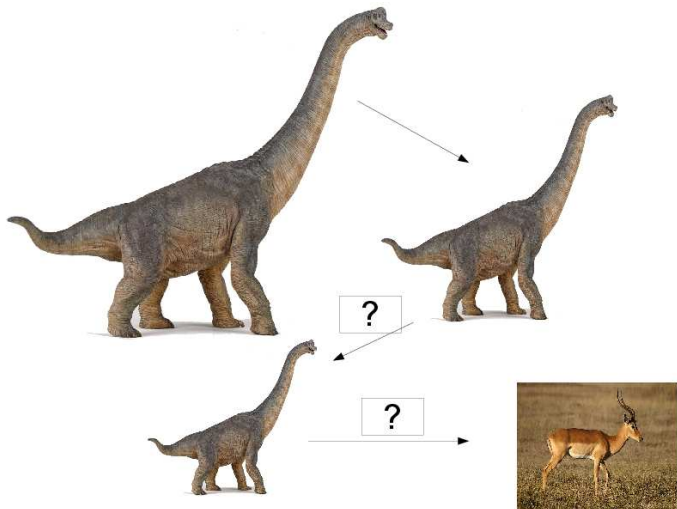


FinTech

Desired System



Current Strategy Has Run Its Course



Will not work: entrenched interests, coordination costs, intractable design problem

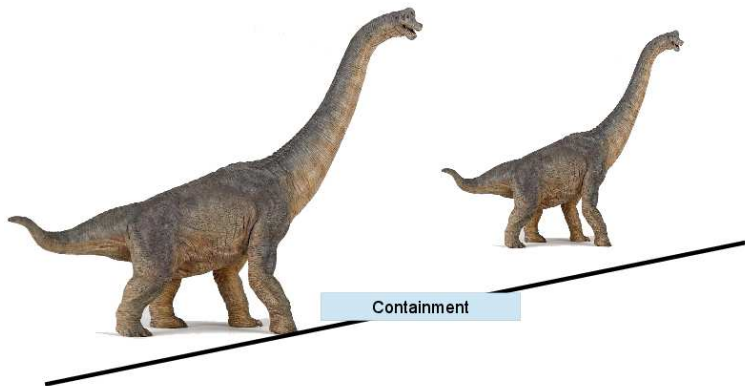
Point 3

My Proposal:
Strategic Regulation of Entry

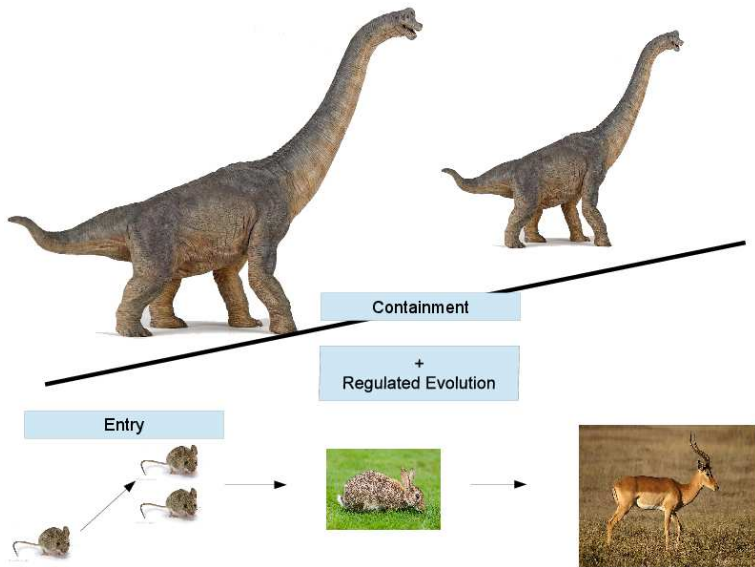
Two Key Regulatory Issues

- Fix the plumbing
 - Cheap, User-Friendly, Democratic
 - eg: payment systems, robo advisors
- Fix the risk
 - FinTech / alternative finance can help
 - but this will NOT happen naturally

My Proposal: Strategy 2



My Proposal: Strategy 2



This Will Not Happen Automatically

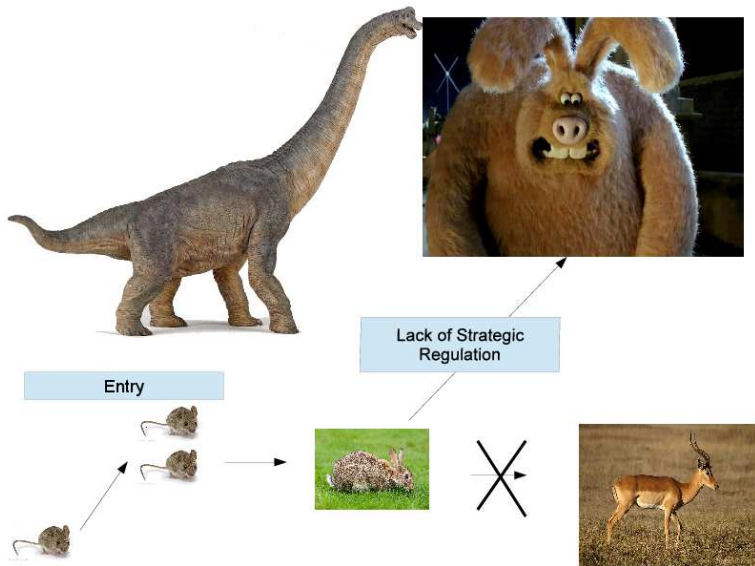


Lack of Strategic
Regulation

Entry



This Will Not Happen Automatically



FinTech Opportunity: Regulatory Principles

- More credit is not the solution
 - Financial deepening can become counterproductive (Cecchetti and Kharroubi, 2012; Levine, 2015)
 - Better credit, smarter credit
- Promote low leverage systems
 - while the industry is still young
- Be suspicious of acquisitions
 - what would have happened if Airbnb had been bought by Hilton or Marriott?

Viral V Acharya, Lasse Heje Pedersen, Thomas Philippon, and Matthew Richardson. Measuring systemic risk. Working Paper NYU, 2009b.

Guillaume Bazot. Financial consumption and the cost of finance: Measuring financial efficiency in europe (1950-2007). Working Paper Paris School of Economics, 2013.

Stephen Cecchetti and Enisse Kharroubi. Reassessing the impact of finance on growth. BIS WP 381, 2012.

Ross Levine. In defense of wall street: The social productivity of the financial system. WP Berkeley, 2015.